

GAITWIN EXPLORATIONS LIMITED

Suite 906 - 11 Adelaide Street West
TORONTO, ONTARIO

Annual Report of the Directors to the Shareholders **AUG 1 1961**

FINANCIAL STATEMENT

Your Directors submit herewith the Financial Statement of the Company's affairs at December 31st, 1960, made up of Balance Sheet at that date with Statements of Deficit and Deferred Expenditure for the year and the auditors' report to the shareholders.

BEAUCHASTEL PROPERTY IN PROVINCE OF QUEBEC

Your Company has for some years owned mining claims held under Development License and Mining Concession and consisting of approximately 750 acres in Beauchastel Township in the electoral district of Rouyn-Noranda in the Province of Quebec. The property is readily accessible to hydro-electric power line, railroad and highway. The property is a gold prospect on which development work was done and a shaft sunk some years ago to some 36 feet. Diamond drilling indicated a gold bearing zone which is too small to mine by itself in the opinion of mining engineers.

70-1,24
X Adjoining your Company's claims is the property of Wasamac Mines Ltd. consisting of approximately 1,600 acres of which there is said to be a large tonnage of low grade ore outlined but further development has been deferred awaiting improvements in the gold mining industry. Barnat Mines Ltd. holds the controlling interest in Wasamac Mines Ltd.

Approximately a year ago your directors and officers considered and discussed the possible long term development of the above properties with representatives of Little Long Lac Gold Mines Co. Ltd. which controls Barnat Mines Ltd. During the past two months the matter has again been discussed by representatives of your Company and Barnat Mines Ltd. An agreement has been signed on behalf of your Company with Barnat Mines Ltd. which is subject to the approval of the shareholders of this Company. For some years money has been spent keeping the property in good standing under Development License and Mining Concession. Your directors are of the opinion that your Company's mining property is not of sufficient tonnage to justify a separate mining operation.

The agreement between your Company and Barnat Mines Ltd. is summarized on the following page and the Shareholders of your Company will be asked to consider, and if deemed advisable, to confirm by special resolution, with or without variation, a resolution passed by the Directors on the 4th day of July, 1961, approving an agreement relating to the sale of mining claims held under Development License and Mining Concession in Beauchastel Township in the Province of Quebec to Barnat Mines Ltd.

EXPLORATION AND DEVELOPMENT

The results of the work performed in prior years on the Company's Oka claims in the Province of Quebec did not warrant further expenditure and the claims were allowed to lapse in 1960.

Lubec Lead Mines Limited, which was derived from the Maine Syndicate in which this Company had an interest, remains inactive but has sufficient funds in the treasury to investigate prospects when warranted.

The Company took a minor participation in Fort Knox Syndicate prospecting in the State of Maine, U.S.A., in the 1960 season. A number of encouraging prospects were examined but none justified further development and the syndicate was wound up in the autumn.

In May, 1960, the Company participated in an exploration syndicate to prospect in the Province of Quebec. The syndicate staked two groups of claims, one of which is being explored this year. Another participation has been taken with the same group in 1961.

Your Company will continue to be on the lookout for projects of merit which will justify participation.

Respectfully submitted on behalf of the Board of Directors,

J. A. SEED, President.

H. D. POOLE, Secretary.

Toronto, Ontario,
July 4th, 1961.

GAITWIN EXPLORATIONS LIMITED

As is indicated in the Notice of Annual and General Meeting of Shareholders to be held on Tuesday, the 25th day of July, 1961, the Shareholders will be asked to consider, and if deemed advisable, to confirm by special resolution, with or without variation, a resolution passed by the Directors on the 4th day of July, 1961, approving an agreement relating to the sale of mining claims held under Development License and Mining Concession in Beauchastel Township in the Province of Quebec to Barnat Mines Ltd.

The Agreement dated June 30th, 1961, between Gaitwin Explorations Limited (hereinafter called "Gaitwin") and Barnat Mines Ltd. (hereinafter called "Barnat"), provides in substance for the following:

1. The incorporation by Barnat of a Company (hereinafter called the "New Company") with 3,000,000 shares of the par value of \$1.00 each and with a Board of 5 Directors within 30 days after the date the Agreement shall have received the approval of the shareholders of Gaitwin.
2. The transfer by Gaitwin to the New Company of the mining claims held under Development License and Mining Concession in Beauchastel Township, Province of Quebec.
3. The payment by the New Company to Gaitwin of \$37,500.00.
4. The allotment and issue to Gaitwin of 375,000 fully paid and non-assessable shares of the New Company to be held in escrow by Chartered Trust Company, 34 King Street West, Toronto, Ontario, subject to release, transfer, hypothecation, assignment or other alienation only with the written consent of the Ontario Securities Commission, and of such other like regulatory authorities, where required, in such other Provinces of Canada in which, within one year of the date of incorporation of the New Company, the shares of the New Company may be qualified for sale to the public.
5. The allotment and issue to Barnat of 375,000 fully paid and non-assessable shares of the New Company, of which 300,000 shares shall be held in escrow with the same escrow agent and upon the same terms as set forth in clause 4 above.
6. The reimbursement of Barnat by the New Company for all expenses of the incorporation, organization and transfer to the New Company of the mining claims referred to in paragraph 2.
7. The purchase by Barnat from the New Company of a further 375,000 shares of the New Company at a price of 10¢ per share.
8. The granting of an option by the New Company to Barnat to purchase all or any part of a further 725,000 shares of the New Company as follows:
 - (i) All or part of 125,000 shares at 10¢ per share at any time within 24 months from the date of incorporation of the New Company;
 - (ii) All or part of 400,000 shares at 15¢ per share at any time within 30 months from the date of incorporation of the New Company;
 - (iii) All or any part of 200,000 shares at 20¢ per share at any time within 36 months from the date of incorporation of the New Company,the aforesaid option periods to be extended by the length of any period or periods during which the New Company is unable to carry on mining and development operations due to causes beyond its control.
9. The control by Barnat of the New Company for a period of 5 years from the date of its incorporation with the right to nominate 4 of the 5 Directors of the New Company, the fifth Director to be nominated by Gaitwin.
10. This Agreement being conditional upon the acceptance by the Toronto Stock Exchange of Filing Statements submitted by Gaitwin and Barnat setting forth particulars of this Agreement.
11. The right of the Board of Directors of each of Gaitwin and Barnat to authorize the amendment, alteration or variation of any of the terms and conditions of this Agreement without further approval of the Shareholders of either Company once approval of this Agreement has been given by the Shareholders of Gaitwin.

GAITWIN EXPLORATIONS LIMITED

Balance Sheet as at December 31, 1960

ASSETS

Cash in bank		\$ 31,856.41
Balance due re sale of mining claims (see note)		81,250.00
Marketable securities — at cost less amount written off (Market value \$864.00)		864.00
Investments in other mining ventures — at cost		2,416.65
Mining properties — at cost		
Beauchastel Township claims		24,300.00
Deferred expenditure:		
Exploration and development — Beauchastel Township	\$148,808.65	
Administration and general since incorporation	94,053.60	242,862.25
		<u>\$383,549.31</u>

LIABILITIES

Accounts payable		\$ 3,612.72
Capital stock:		
Authorized: 4,000,000 shares of \$1.00 each	\$ 4,000,000.00	
Issued and fully paid: 3,300,003 shares	\$ 3,300,003.00	
Less: Discount	2,246,214.83	
	\$ 1,053,788.17	
Deficit	673,851.58	379,936.59
		<u>\$383,549.31</u>

NOTE: Payment of this balance is to be received:

On or before March 15, 1961	\$31,250.00
On or before March 15, 1962	25,000.00
On or before March 15, 1963	25,000.00

Approved on behalf of the Board:

J. A. SEED, Director.

J. T. FRAME, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Gaitwin Explorations Limited as at December 31, 1960, and the statements of deficit and deferred expenditure for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the above balance sheet and attached statements of deficit and deferred expenditure present fairly the financial position of the Company as at December 31, 1960, and the results of its operations for the year ended on that date.

TORONTO, Canada.
May 23, 1961.

NEFF, ROBERTSON & STONE.
Chartered Accountants.

GAITWIN EXPLORATIONS LIMITED

Statement of Deficit

FOR THE YEAR ENDED DECEMBER 31, 1960

Balance, December 31, 1959	\$455,071.58
ADD:	
Prior years acquisition costs and exploration expenditure on mining claims and options abandoned	163,776.84
Amount written off marketable securities	27,936.00
Advances to another mining company written off	24,067.16
	<u>\$670,851.58</u>
ADD:	
Prospecting expenditures — 1960	3,000.00
Balance, December 31, 1960	<u>\$673,851.58</u>

Statement of Deferred Expenditure

FOR THE YEAR ENDED DECEMBER 31, 1960

EXPLORATION AND DEVELOPMENT:		
Balance, December 31, 1959		\$161,011.74
Deduct: Prior years exploration expenditure on mining claims abandoned, written off to deficit		<u>12,531.99</u>
		\$148,479.75
Add: Acreage taxes and licenses	\$ 178.90	
Sundry expenses	150.00	328.90
Balance, December 31, 1960		<u>\$148,808.65</u>
ADMINISTRATION AND GENERAL:		
Balance, December 31, 1959		\$ 82,898.04
Add: Rent and services	\$ 6,000.00	
Transfer agency fees	2,079.81	
Salaries	1,200.00	
Printing and stationery	590.61	
General expense	323.99	
Legal and audit	1,385.00	
Government fees and taxes	65.00	
	<u>\$11,644.41</u>	
Less: Interest earned	488.85	<u>11,155.56</u>
Balance, December 31, 1960		<u>\$ 94,053.60</u>